

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1458 – HB 1976

March 3, 2014

SUMMARY OF BILL: Requires local education agencies (LEAs) to report to the Department of Education (DOE) the number of students, including special education and career and technical students, by funding period or month. Requires Basic Education Program (BEP) funding to be based on the average of weighted average daily memberships (ADMs) for periods two and three. BEP calculations for periods two and three shall be weighted equally at 100 percent each.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$5,641,000/BEP

Other Fiscal Impact – The BEP formula will require a recurring formulaic increase in the statewide BEP local match of \$5,114,000; however, since most LEAs are currently funding above and beyond their local match requirement, the actual increase in local expenditures will be significantly less and will vary by LEA. Changing the way the BEP formula is calculated will cause some LEAs to receive more BEP funding from the state, while other LEAs will experience a decrease in funding received from the state. According to the Department of Education, these changes will vary by LEA and range from an increase in revenue of \$787,000 received from the state to a decrease in revenue of \$1,511,000 received from the state.

Assumptions:

- The BEP's funding method will change.
- Currently, the BEP's calculation for ADMs use a weighted average of month two (12.5%); month three (17.5%); month six (35.0%); and month seven (35.0%).
- The BEP will use two months weighted equally to fund ADMs.
- According to the Department of Education, this change will increase state BEP funding by \$5,641,000 annually.
- The BEP required local match will increase statewide by \$5,114,000; however, to the extent a single LEA is contributing more than the required BEP local match, the actual amount of increased local expenditures for that LEA will be significantly less, or perhaps zero if the amount the LEA is contributing over and above the requirement under current law is more than the increase required as a result of this bill.

SB 1458 – HB 1976

- Using a different weight system for ADMs will result in some LEAs receiving more state BEP funding, while others will receive less. Based on information from DOE, the change in state funding could range from an increase of \$787,000 to a decrease of \$1,511,000. This change will vary by LEA.
- LEAs that realize growth in the later months of the school year would not receive funding the following year that was representative of their actual yearly enrollment.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/msg